

Message Text

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AMEMBASSY TEGUCIGALPA
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UNCLAS SAN SALVADOR 5915

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TAGS: EFIN, ECON, EAGR, ES
SUBJECT: PROPERTY TAX LAW ON RURAL LAND DEVOTED TO AGRICULTURAL
AND/OR PASTORAL USE (LEY DE IMPUESTO TERRITORIAL
AGROPECUARIO)

REF: PAR 7 SAN SALVADOR 4950 NOTAL

1. SUMMARY: AFTER CONSULTATION WITH PRINCIPAL BUSINESS
ASSOCIATIONS GOES SUBMITTED SUBJECT PROPERTY TAX LAW ON
RURAL LAND (LEY DE IMPUESTO TERRITORIAL AGROPECUARIO) TO
THE LEGISLATIVE ASSEMBLY, WHICH APPROVED THE LAW, AS PRO-
POSED, ON DECEMBER 22, 1977. BASIC OBJECTIVES OF THE LAW ARE TO
SIMULTANEOUSLY ENHANCE LAND UTILIZATION AND CAMPESINO WELFARE.
TAX OF ONE PERCENT TO BE LEVIED ON RURAL PROPERTIES DEVOTED TO
AGRICULTURE AND/OR PASTORAL ACTIVITIES, WHOSE TOTAL VALUE EXCEEDS
US\$80.000 (COLONE200.000). A SYSTEM OF DEDUCTIONS
AND EXEMPTIONS PROVIDES INCENTIVES DEVISED TO FULFILL OBJECTIVES
OF LAW. LAW TO BECOME EFFECTIVE DECEMBER 31, 1977, WITH TAX
DECLARATIONS FOR 1977 DUE BY APRIL 30, 1978. SPECIFIC REGULATIONS
FOR PROPOSED LAW ARE DUE BY DECEMBER 31, 1978. INFORMED SOURCES
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REPORT THAT WITH THE EXCEPTION OF A FEW QTE RADICAL UNQTE
LANDOWNERS, MOST SALVADORAN BUSINESSMEN ACCEPT PROPOSED LAW AS
A RUSHED BUT ADEPT MODUS VIVENDIA DESIGNED TO ALLAY LATENT
FEARS AMONG LARGE LANDOWNERS OF MASS EXPROPRIATIONS OF RURAL LANDS,
WHILE AT THE SAME TIME COMPELLING LANDOWNERS TO ENHAMZE BOTH
LAND UTILIZATION AND CAMPESINO WELFARE.

2. ON DECEMBER 22, 1977, THE SALVADORAN LEGISLATIVE ASSEMBLY APPROVED, WITHOUT MODIFICATION, A PROPERTY TAX LAW ON RURAL LAND DEVOTED TO AGRICULTURAL AND/OR PASTORAL USE.

3. INFORMED SOURCES INDICATE THAT BEFORE SUBMITTING SUBJECT LAW TO THE LEGISLATIVE ASSEMBLY, GOES HELD PRIOR CONSULTATIONS WITH THE ASOCIACION NACIONAL DE EMPRESA PRIVADA (ANEP) AND THE ASOCIACION SALVADORENA DE INDUSTRIALES (ASI). MOREOVER, AS RESULT OF RECOMMENDATIONS MADE BY ANEP AND ASI, THE GOES REPORTEDLY INSTITUTE D MODIFICATIONS IN ORIGINAL TEXT.

4. WHILE A FEW CONSTITUENT MEMBERS WITHHELD APPROVAL, BOTH ANEP AND ASI INDICATED THEY COULD LIVE WITH PROPOSED LAW AND WOULD NOT OPPOSE IT.

5. EXPLICIT OBJECTIVES OF LAW INCLUDE:

A. FULFILL GOES MANDATE TO IMPROVE WELFARE OF LOWEST INCOME SECTORS, ESPECIALLY RURAL POOR (CAMPEÑINOS).

B. STIMULATE IMPROVEMENTS IN LAND AND GREATER EFFICIENCY IN LAND UTILIZATION.

6. PRINCIPAL PROVISIONS OF LAW INCLUDE:

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A. TAX APPLIES ONLY TO LAND OUTSIDE CITY LIMITS (RURALS URBANOS) DEVOTED TO AGRICULTURAL AND/OR PASTORAL ACTIVITIES.

B. IN CALCULATING VALUE OF LAND SUBJECT TO TAX, FOLLOWING DEDUCTIONS ARE ALLOWED: VALUE OF PERMANENT AND SEMIPERMANENT CROPS; VALUE OF CERTAIN PHYSICAL IMPROVEMENTS MADE IN LAND; VALUE OF HOUSING AND LAND AVAILABLE TO TENANTS; VALUE OF BUILDINGS (INCLUDING LAND) SERVING AS HOSPITALS, CLINICS, ETC.; VALUE OF BUILDINGS USED FOR INDUSTRIAL, AGROINDUSTRIAL, COMMERCIAL OR TOURISM FACILITIES; VALUE OF LAND DEVOTED TO FORESTATION; AND VALUE OF LAND DEVOTED TO AGROPASTORAL SCIENTIFIC INVESTIGATIONS.

C. EXPENSES INCURRED IN TAXABLE YEAR ATTRIBUTABLE TO IMPROVING WELFARE OF CAMPEÑINO WORKERS CAN BE DEDUCTED FROM TAXES OWED WITH EXCESS CARRIED OVER TO SUBSEQUENT YEARS.

D. LANDOWNERS HAVE UNTIL APRIL 30, 1978, TO FILE TAX DECLARATION FOR CALENDAR YEAR 1977. (FYI: SINCE LAW IS TO GO INTO EFFECT DECEMBER 31, 1977, IT IS TECHNICALLY NOT RETROACTIVE.)

E. EVEN THOUGH LANDOWNERS ARE REQUIRED TO MAKE TAX DECLARATION FOR 1977 BY APRIL 30, 1978, MINISTRY OF HACIENDAS HAS UNTIL DECEMBER 31, 1978, TO ISSUE SPECIFIC REGULATIONS FOR LAW.

7. COMMENT: AS WRITTEN, PROPOSED LAW SHOULD TEND TO STIMULATE:

A. LAND IMPROVEMENT, SINCE SUCH IMPROVEMENTS MAY DECREASE NET TAXABLE VALUE, AND WILL GENERATE GREATER REVENUE TO PAY TAXES.

B. CAMPESINO WELFARE, SINCE SUCH EXPENDITURES DO NOT INCREASE TOTAL VALUE BUT ARE TAX DEDUCTIBLE, I.E., REDUCE TAXES.
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C. GREATER EFFICIENCY IN LAND UTILIZATION, SINCE IDLE LAND IS NOT GENERATING REVENUES TO OFFSET TAXES, AND IS SUBJECT TO HIGHER TAXES. END COMMENT.

8. RELIABLE SOURCES REPORT THAT WITH THE EXCEPTION OF A FEW QTE RADICAL UNQTE LANDOWNERS, MOST SALVADORAN BUSINESSMEN SEE LAW AS A RUSHED BUT WORKABLE MODUS VIVENDI ADEPTLY ENGINEERED BY THE GOES TO ALLAY LATENT PRIVATE SECTOR FEARS OF MASS EXPROPRIATION OF RURAL LANDS, WHILE SIMULTANEOUSLY COMPELLING AFFECTED LAND-OWNERS (WHO ARE PRINCIPAL TARGETS OF LEFT-WING RURAL ACTIVISTS ENCOURAGING CAMPESINO OCCUPATION OF LAND) TO IMPROVE LAND UTILIZATION AND TO ENHANCE CAMPESINO WELFARE, EITHER DIRECTLY OR INDIRECTLY. THAT IS, LANDOWNERS ARE GIVEN OPTION OF IMPROVING CAMPESINO WELFARE THROUGH INVESTING IN SOCIAL INFRASTRUCTURE WITHIN THEIR OWN HOLDINGS OR, BY PAYING PROPERTY TAX TO GOES, WHICH WILL MAKE THE DESIRED INVESTMENTS IN SOCIAL INFRASTRUCTURE FOR THE LANDOWNERS, BUT ON A NATIONWIDE SCALE.

9. REPRESENTATIVES OF THE FRENTE AGROPECUARIO REGIONAL DEL ORIENTE - FARO, ONE OF THE MOST INFLUENTIAL GROUPS REPRESENTING THE AGROPASTORAL SECTOR, ISSUED A STATEMENT INDICATING THAT WHILE FARO SUPPORTED THE LAW IN GENERAL, IT STILL HAD SERIOUS RESERVATIONS CONCERNING CERTAIN PROVISIONS. PRINCIPALLY, FARO REPRESENTATIVES CLAIMED THAT THE LAW COULD NOT SERIOUSLY AFFECT LARGE LANDOWNERS, BUT WOULD HAVE A SIGNIFICANT DETRIMENTAL EFFECT ON MEDIUM AND SMALL LANDHOLDERS.

10. COMMENT: THE RELATIVELY BLAND AND (SOME SAY) TONGUE-IN-CHEEK RESPONSE OF FARO TO THE LAW APPEARS TO UNDERLINE ADEPTNESS OF GOES INITIATIVE.

11. POST WILL FORWARD UNOFFICIAL TRANSLATION OF LAW ASAP.
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Message Attributes

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